

Message Text

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PAGE 01 MADRID 08285 01 OF 02 210504Z
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LIMITED OFFICIAL USE SECTION 01 OF 02 MADRID 08285

OECD

C O R R E C T E D C O P Y (FOR SECT 01 OF 02 VICE 03)

PASS EXIM-BANK (FOR ROBERT KAISER)

E.O. 11652:N/A
TAGS: EGEN, PINT, SP,EALL
SUBJ: SPANISH COMMUNISTS' ECONOMIC PLAN

1. SUMMARY: THE PCE HAS PUBLISHED A PROPOSED MEDIUM-TERM ECONOMIC PLAN. IT ADVOCATES A THREE OR FOUR YEAR INTER-PARTY ACCORD TO FOLLOW UP ON THE MONCLOA PACTS AND PROVIDES THE NEW ACCORD'S SIGNATORIES WITH OVER-SIGHT RESPONSIBILITIES, WHICH THEY DO NOT HAVE UNDER THE MONCLOA PACTS. MOST OF THE COMMUNIST PLAN-NOTABLY EXCEPTING NATIONALIZATIONS-REFLECTS A LIBERAL, RATHER THAN MARXIST, APPROACH. IN SPECIFIC MATTERS CONCERNING UNEMPLOYMENT, PUBLIC INVESTMENT AND SOCIAL SECURITY, THE COMMUNIST PROPOSALS REFLECT THE PUBLIC GENEROSITY OF AN OPPOSITION PARTY. PROPOSALS IN THESE AREAS DIFFER

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PAGE 02 MADRID 08285 01 OF 02 210504Z

LITTLE FROM GOVERNMENT THINKING BUT GO FARTHER, AT A FASTER PACE. END SUMMARY.

2. THE CENTRAL COMMITTEE OF THE SPANISH COMMUNIST PARTY (PCE) RECENTLY PUBLISHED A PROPOSED "EMERGENCY PLAN FOR UNEMPLOYMENT AND MEDIUM-TERM ECONOMIC PROGRAM", THAT WOULD FOLLOW UP ON THE EXISTING "MONCLOA PACTS",

WHICH EMBODY LAST FALL'S NEARLY COMPLETE CONCENSUS ON NATIONAL ECONOMIC AND POLITICAL GOALS, AND WHICH EFFECTIVELY EXPIRE AT THE END OF THIS YEAR. AS THE NAME INDICATES, THE PROGRAM IS DIVIDED INTO TWO PARTS: SHORT-TERM MEASURES TO DEAL WITH UNEMPLOYMENT, AND MEDIUM-TERM ECONOMIC POLICY. THE PCE'S MEDIUM-TERM POLICIES ARE FORMULATED IN TERMS OF SUPPORT FOR AN INTER-PARTY AGREEMENT TO SET NATIONAL PRIORITIES FOR THREE OR FOUR YEARS.

3. CARVING OUT A ROLE. THE COMMUNISTS WOULD LIKE TO MAKE THE PROPOSED NEW PACT AN OPPORTUNITY FOR PLAYING A ROLE IN THE GOVERNMENT'S OPERATIONAL DECISIONS. THEIR PROGRAM ENVISIONS AN AGREEMENT ESTABLISHING "REVIEW AND CONTROL ORGANS" OF AN "EXECUTIVE CHARACTER" TO ALLOW POLITICAL PARTIES A SHARE IN THE GOVERNMENT'S IMPLEMENTATION OF ECONOMIC AND POLITICAL POLICIES. IN ADDITION, THE PCE WANTS TO BUILD INTO THE PACT UNSPECIFIED "SELF-CORRECTING MECHANISMS" TO FACILITATE MINOR REVISIONS NECESSITATED BY THE PASSAGE OF TIME. THIRDLY, THE PCE CALLS FOR ECONOMIC TARGETS TO BE DISAGGREGATED TO THE REGIONAL AND LOCAL LEVELS. THE INTENTION IS TO STRENGTHEN LOCAL GOVERNMENT BY TRANSFERRING SOME POWER FROM SPAIN'S DOMINANT CENTRAL GOVERNMENT. A FINAL THEME IS THE INSTITUTIONALIZING, WHEREVER POSSIBLE, OF NEW ROLES FOR SPAIN'S LABOR UNIONS. THIS WOULD BE OF SPECIAL BENEFIT TO THE LIMITED OFFICIAL USE

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PAGE 03 MADRID 08285 01 OF 02 210504Z

COMMUNIST PARTY, BECAUSE OF ITS CONTROL OF THE POWERFUL NATIONAL UNION KNOWN AS "WORKERS COMMISSIONS."

4. LITTLE STRESS ON AUSTERITY. THE EXISTING MONCLOA ECONOMIC PACT SPELLS OUT BOTH AUSTERITY MEASURES AND INFRASTRUCTURAL REFORMS. TO HAVE A CHANCE OF ACCEPTANCE, A NEW PACT WOULD NEED TO DO THE SAME. THE PCE PUBLIC POSITION, HOWEVER, IS PREDICTABLY SHORT ON SUGGESTIONS FOR AUSTERITY, AND LONGER ON IDEAS FOR STRUCTURAL CHANGES. THE PRINCIPAL AUSTERITY MEASURES IN THE MONCLOA PACT LIMIT WAGE HIKES AND THE GROWTH OF MONEY SUPPLY. NEITHER OF THESE ESSENTIALS IS DIRECTLY TREATED IN THE PCE PROGRAM, WHICH STATES THAT WAGE POLICY "SHOULD BE THE RESULT OF COLLECTIVE NEGOTIATIONS AT A LEVEL TO BE DETERMINED BY THE UNIONS." THE PCE PROGRAM SETS OUT TWO PRINCIPLES FOR THESE NEGOTIATIONS: REAL WAGES SHOULD NOT BE DECREASED, AND WAGE DIFFERENTIALS SHOULD BE PROGRESSIVELY NARROWED. (BOTH THESE PRINCIPLES ARE ALREADY REFLECTED IN THE MONCLOA ECONOMIC PACT.)

5. CONSIDERABLY MORE ON STRUCTURAL REFORMS. THE STRUCTURAL REFORMS ADVOCATED ARE MODERATE BY COMMUNIST STANDARDS,

AND THEREFORE CONSISTENT WITH THE ACCOMMODATING STANCE
CURRENTLY ADOPTED BY THE SPANISH COMMUNIST PARTY.
THE REFORMS COULD BE CLASSED INTO THREE CATEGORIES:
INCREASING PARLIAMENTARY AND EXTRA-PARLIAMENTARY CONTROL
OVER MATTERS NOW DECIDED WITHIN THE GOVERNMENT ("DEMO-
CRATIZATION"); INCREASING THE SIZE AND SCOPE OF PUBLIC
ADMINISTRATION; AND NATIONALIZATIONS AND SIMILAR MEASURES.
6. BUDGET AND SOCIAL SECURITY. DEMOCRATIZATION PROPOSALS
INCLUDE ESTABLISHING STRONGER PARLIAMENTARY CONTROL OVER
THE BUDGET PROCESS, AND INTEGRATING THE MANAGEMENT OF
THE SOCIAL SECURITY SYSTEM INTO THE CENTRAL GOVERNMENT
ADMINISTRATION (WHICH IS ALREADY GOVERNMENT POLICY).

7. AS ENVISIONED BY THE PCE, THE GOVERNMENT WOULD SUBMIT
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PAGE 04 MADRID 08285 01 OF 02 210504Z

BUDGETS WITH MORE DETAIL ON PROGRAMS - PARTICULARLY ON
PUBLIC WORKS OUTLAYS AND SOCIAL SECURITY EXPENDITURES -
AND WITH BREAKDOWNS BY REGIONS OF THE COUNTRY. PARLI-
AMENTARY SUBCOMMITTEES WOULD HAVE A BIGGER ROLE IN
EVALUATING THE BUDGET. IN ORDER TO PAY FOR THE INCREASED
EXPENDITURES OF A BEEFED-UP PUBLIC SECTOR THE PCE PRO-
POSES THAT ONGOING TAX REFORMS BE ACCELERATED.

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PAGE 01 MADRID 08285 02 OF 02 210509Z
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LIMITED OFFICIAL USE SECTION 02 OF 02 MADRID 08285

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C O R R E C T E D C O P Y (SECT 02 OF 02 VICE 03)

PASS EXIM-BANK (FOR ROBERT KAISER)

8. THE PCE WANTS THE SOCIAL SECURITY SYSTEM TO BE CONSOLIDATED FOR MORE CENTRALIZED MANAGEMENT, AND TO BE FULLY INTEGRATED INTO THE CENTRAL GOVERNMENT. DEMOCRATIZATION OF THE SOCIAL SECURITY SYSTEM SHOULD, ACCORDING TO THE PCE, BE INITIATED BY A FULL PARLIAMENTARY DEBATE, AND LABOR UNIONS SHOULD SHARE IN THE MANAGEMENT OF SOCIAL SECURITY PROGRAMS.

9. GROWTH OF PUBLIC SECTOR. THE SIZE AND SCOPE OF PUBLIC ADMINISTRATION MUST GROW, ACCORDING TO THE PCE, BECAUSE IN THE NEXT FEW YEARS NEITHER THE WORLD ECONOMY NOR THE SPANISH ECONOMY CAN GROW RAPIDLY, AND THEREFORE SELECTIVE GROWTH POLICIES ARE NEEDED. THE PCE PROGRAM SIMPLY ASSERTS THAT THE PUBLIC SECTOR IS BETTER SUITED FOR LIMITED OFFICIAL USE

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PAGE 02 MADRID 08285 02 OF 02 210509Z

INVESTMENTS IN AREAS WHERE SELECTIVE GROWTH IS NEEDED.

10. NATIONALIZATIONS AND PUBLIC CONTROL. MORE EXTENSIVE ARGUMENTS ARE PROVIDED IN FAVOR OF STRATEGIC NATIONALIZATIONS AND OF INCREASED PUBLIC CONTROL OF PRIVATE COMPANIES. THE COMMUNIST PROGRAM CALLS FOR THE ABANDONMENT OF THE CONCEPT THAT PUBLIC ENTERPRISE IS SECONDARY TO PRIVATE ENTERPRISE, AND STATES THAT PRIVATE ENTERPRISES RECEIVING GOVERNMENT SUBSIDIES, CREDITS OR TAX BREAKS (IN EFFECT, MOST LARGE SPANISH COMPANIES) MUST BE SUBJECT NOT ONLY TO INCREASED REGULATION BUT ALSO TO INVOLUNTARY PUBLIC "PARTICIPATION." RATHER THAN PROVIDING FOR THE NATIONALIZATION OF MAJOR SPANISH BANKS, THE PROGRAM CALLS FOR EXPANDING THE ROLE OF EXISTING GOVERNMENT BANKING INSTITUTIONS BY AUTHORIZING THEM TO ACCEPT PRIVATE DEPOSITS AND BY EXPANDING THEIR CREDIT LINES TO THE PRIVATE SECTOR.

11. STEEL, ENERGY AND AGRICULTURE. THE PCE'S PROPOSAL FOR REFORMING THE AILING STEEL INDUSTRY IS IN EFFECT A MAJOR NATIONALIZATION PROPOSAL. BECAUSE OF INDUSTRY OVERCAPACITY A "STEEL ENTITY" WOULD BE CREATED TO CONTROL RAW MATERIAL SUPPLIES, NEW INVESTMENTS, THE CLOSING OF OBSOLETE FACILITIES AND THE PREPARATION OF FINANCIAL PLANS. ALL MAJOR COMPANIES WOULD BE CONTROLLED BY THE NEW PUBLIC BODY, AND THE ONE REMAINING WHOLLY PRIVATE

COMPANY WOULD BE FORCED TO ACCEPT PARTIAL PUBLIC OWNERSHIP AS A CONDITION FOR RECEIVING GOVERNMENT CREDITS. THE ENERGY INDUSTRY WOULD, IN A PERIOD OF FOUR YEARS, SPAWN A SIMILAR "MIXED OWNERSHIP SYSTEM," BASED ON THE ESTABLISHMENT OF A PUBLIC ENTERPRISE FOR THE CONSTRUCTION AND EXPLOITATION OF ALL NUCLEAR POWER FACILITIES. FINALLY, THE PCE CALLS FOR PASSAGE OF A LAW AUTHORIZING LIMITED OFFICIAL USE

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PAGE 03 MADRID 08285 02 OF 02 210509Z

THE COMPENSATED EXPROPRIATION OF UNCULTIVATED OR INSUFFICIENTLY CULTIVATED AGRICULTURAL LAND. SPECIAL EMPHASIS IS PLACED ON THE CREATION OF AGRICULTURAL COOPERATIVES FOR CULTIVATION, INDUSTRIALIZATION AND MARKETING.

12. GENERATING SALES. THE SHORT TERM MEASURES PROPOSED FOR THE ALLEVIATION OF UNEMPLOYMENT ARE NEITHER DRAMATIC NOR CONTROVERSIAL. IN GENERAL THEY CALL FOR MORE OF EVERYTHING: INCREASED PUBLIC WORKS, IMPROVED UNEMPLOYMENT BENEFITS, AND GREATER INCENTIVES FOR JOB CREATION. THE SPECIFIC MEASURES SUGGESTED ARE AIMED ESPECIALLY AT JOBLESS YOUNG PEOPLE, WHICH MAKE UP 60 PERCENT OF THE PRESENTLY UNEMPLOYED. THE PRICE TAG FOR THIS SECOND HALF OF 1978 WOULD BE 80 BILLION PESETAS (OVER 1 BILLION DOLLARS), MOSTLY FOR PUBLIC WORKS.

13. COMMENT: THE PCE'S PURPOSE IN PRESENTING ITS ECONOMIC PLAN AT THIS JUNCTURE IS FUNDAMENTALLY TWO-FOLD: TO STEAL A MARCH ON THE PSOE BY BEING THE FIRST TO STAKE OUT "PROGRESSIVE" POSITIONS IN ADVANCE OF WHAT THE PCE ASSUMES WILL BE NEGOTIATIONS ON THE CONTINUATION, BY SOME OTHER NAME AND IN SOME OTHER FORM, OF THE MONCLOA PACTS; AND TO PROVIDE AN EXPLICIT UNDERPINNING AND JUSTIFICATION FOR THE PCE'S CONTINUING CAMPAIGN FOR THE MAINTENANCE OF CONSENSUS POLITICS, WHICH TENDS TO EXAGGERATE THE PCE'S IMPORTANCE, AND FOR THE ATTAINMENT OF THE PARTY'S GOAL OF SOME SORT OF PARTICIPATION IN THE MAKING AND IMPLEMENTATION OF GOVERNMENTAL DECISIONS. THE DOCUMENT OBVIOUSLY IS A STATEMENT OF THE PCE'S NEGOTIATING POSITION, NOT ANY HARD AND FAST ARTICULATION OF ITS APPROACH TO THE COUNTRY'S ECONOMIC PROBLEMS. TODMAN#

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